

**REPORT**  
**Long-Term Viability Subcommittee**  
**Governor's Turtle Bay Advisory Working Group**  
**April 2, 2008**

The Subcommittee met at the Turtle Bay Resort on March 26. Subcommittee members Eric Gill and Blake McElhany were present. Subcommittee member Cy Bridges was out of town, but was represented by his associate Kealii Haverly. Also participating were Creighton and Cathy Mattoon, and Bob Boyle, Turtle Bay General Manager.

The specific charge of the subcommittee is to identify elements necessary to ensuring the long-term viability of the resort, in the context of achieving the goals of the larger group: 1) secure the jobs of Turtle Bay workers and protect the job resource for the long term, and 2) ensure the continued existence of open space in the property as a whole.

The subcommittee spent several hours identifying the various component elements that would enhance the viability of the resort, and exploring some of them in detail. Bob Boyle was helpful in offering information and identifying issues relating to resort operations, both successful programs as well as difficulties.

The subcommittee determined that community support for the resort as an employment center is critical to its long-term success, and therefore chose to seek a path to viability that would be welcomed by the resort employees, the surrounding community and the general public on Oahu.

Balanced against the need for community support is the need to create a resort facility that will generate sufficient dependable revenue for its owners and operators to remain in business over the long term, and the need to generate sufficient funds through the sale of the property to make possible the achievement of the overall goal of retaining the bulk of the property as open space.

The subcommittee developed a consensus that the following criteria should be applied in the acquisition of the Kuilima property:

- New development on the property should be restricted to an expansion on the general footprint of the existing resort, as opposed to creating multiple construction sites across the Kuilima parcel.
- In order to obtain and retain community support for the limited expansion of the resort, such expansion should be conditioned on the protection of the remaining parcels as open space.
- In order to protect the jobs of resort workers and maintain the wage and benefit standards of the resort, a buyer must be sought that will ensure all workers are retained, and accept the union contract(s).
- To ensure the maintenance of desirable jobs in the community, new jobs created by any additional development must maintain the relevant current union standards of pay, benefits and job security.

- Public access to the shoreline must be provided. To ensure that the Kuilima lands remain pristine, publicly accessible, and attractive to visitors, adequate security for the shoreline and open space must be provided. Responsibility for security currently falls to the resort's security personnel, which works well and should be continued.
- The continued viability of the resort depends in significant part on the water and sewage facilities on the lands immediately mauka of Kamehameha Highway. This parcel must also be secured as part of the acquisition, to ensure future water supply and sewage services for the resort.
- The mauka lands should be retained primarily as agricultural lands, to maintain the current rural character of those lands, and as a source of produce for the resort and the community.
- The resort is experiencing significant cost increases associated with its need for power to run its operations. Energy generation, through wind and/or solar means, should be explored on the mauka land parcel, to provide affordable power to operate the resort.
- Any new development on the Kuilima lands should be required to meet LEED energy-efficiency standards to control energy costs and guard against rapid energy price swings.
- Any new development should allow the resort to sustain currently successful markets, and to build clientele in new market niches:
  - Continue to market the property as a unique destination—emphasizing the special rural, open environment and the isolation from other tourist facilities.
  - Among other things, this means that the resort should continue and possibly expand its equestrian operations.
  - The resort should take advantage of the high-profile effort to maintain the surrounding area in open space, and its insistence on energy self-reliance and efficiency, to open up new market segments in the expanding green and ecotourism markets.
  - The resort should continue and expand its successful film operations, both as a reliable rural location for film shoots, as well as a remote studio location and operational base for film crews and production.
  - The resort should continue its successful appeal to business, golf and incentive groups, and use the current high profile acquisition effort to help build the market for local business meetings and groups.
  - In partnership with other community entities (e.g. Polynesian Cultural Center, Waimea Valley) and by encouraging cultural activities and facilities at the resort and on the surrounding lands, the resort should build market share in the growing trend towards cultural tourism.
  - Adding a spa and ensuring the existence of quality medical care in the area will make it possible for the resort to compete in the growing market for health and restorative tourism.
  - Continuing and growing the current market for golfing visits is essential; putting the golf courses under the same management as the resort will make this more efficient and effective.

**Buyer must have sufficient resources and willingness to reinvest:**

In regards to the eventual acquisition price for a potential buyer, such purchase must take into account the necessary cost of renovation of the existing resort buildings. Turtle Bay has, in its recent history, already experienced dangerous declines in occupancy (and therefore employment and profitability) due to deteriorating physical conditions in resort rooms, buildings and facilities. Long-term viability requires the continuing maintenance of the resort.

The current resort operator estimates that a full makeover of the existing property, to upgrade the resort to fully competitive standards, will cost about \$30 million. A minimal renovation to maintain current standards will cost at least \$10 million.

Therefore, a buyer is needed that has the resources and willingness to invest in necessary renovations, not just at the purchase of the property, but as needed over the years to come.

**Conclusion:**

The subcommittee believes that it is possible to design a limited expansion of the resort campus in the currently-developed area that will be viable in maintaining quality employment and adequate to generate sufficient funds to anchor the purchase and preservation of the surrounding open space. We believe that a plan that accomplishes those goals will be supported by the community, which is a necessary element in the continued viability of the resort.

Such expansion may include the addition of a spa and other enhanced resort facilities. Timeshare units, if they are integrated into the existing resort campus, may provide a stable base of repeat visitors as well as a means by which a desirable buyer can finance the acquisition and renovation of the resort.

The current resort facilities, including the hotel, golf courses, clubhouses and restaurants, along with a limited expansion of the resort campus based on the current developed footprint of the resort, should be able to generate the bulk of any eventual purchase price of the Kuilima lands. Added to this revenue, additional funds generated by the fee simple sale of leasehold land under the existing condo villages along with any public and/or private acquisition of the surrounding open space, will hopefully be sufficient to purchase the Kuilima parcel and achieve the two main goals of the Task Force.